

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 XMB-02 AGRE-00 AID-05

CIAE-00 COME-00 EB-08 FRB-03 INR-10 NSAE-00

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FM AMEMBASSY MAPUTO

TO SECSTATE WASHDC 6814

INFO AMEMBASSY DAR ES SALAAM

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY PRETORIA

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

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CAPE TOWN FOR EMBASSY

DEPARTMENT PASS EXIMBANK

E.O. 11652: N/A

TAGS: MZ

SUBJECT: MOZAMBIQUE GOVERNMENT TO REORGANIZE SUGAR INDUSTRY

1. LOCAL OFFICIAL OF SENA SUGAR COMPANY (MIKE TENNE) INFORMED DCM ON MARCH 16 THAT GOVERNMENT OF MOZAMBIQUE HAS DECIDED TO REORGANIZE SUGAR INDUSTRY. GOVERNMENT PLANS CALL FOR CREATION OF NATIONAL COMPANY TO CONTROL EXPORT AND MARKETING OF ALL SUGAR GROWN IN MOZAMBIQUE. NEW COMPANY WILL ALSO BE RESPONSIBLE FOR APPROVING DEVELOPMENT AND EXPANSION OF NEW AND EXISTING SUGAR ESTATES. EXISTING COMPANIES WILL NOT BE NATIONALIZED AND WILL NOT LOSE THEIR INDIVIDUALS IDENTITIES, ALTHOUGH THEIR ACTIVITIES WILL BE MORE TIGHTLY CONTROLLE.

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2. NEW OF THE GOVERNMENT'S REORGANIZATION OF THE SUGAR INDUSTRY WERE PASSED ON TO PRIVATE PRODUCERS AT MEETING WITH MINISTER OF COMMERCE AND INDUSTRY MARIO MACHUNGO LAST WEEK. SENA OFFICIAL, WHO ATTENDED MEETING, SAID THAT KNOWLEDGABLE CUBAN SUGAR EXPERT WHO PARTICIPATED IN MEETING WAS RESPONSIBLE FOR DRAWING UP AND EXPLAINING THE PLAN. NO DATE WAS GIVEN FOR THE ANNOUNCEMENT

OF THE REORGANIZATION, BUT SENA OFFICIAL EXPECTS THAT PLAN WILL BE IMPLEMENTED FAIRLY SOON.

3. COMMENT: MOZAMBIQUE GOVERNMENT HAS BEEN TRYING TO INCREASE ITS CONTROL OVER KEY SECTORS OF COUNTRY'S ECONOMY SINCE INDEPENDENCE. PROPOSED REORGANIZATION OF SUGAR INDUSTRY IS JUST LATEST STEP IN THIS DIRECTION.

4. PLANNED REORGANIZATION WILL NOT, HOWEVER, HELP MOZAMBIQUE'S AILING SUGAR INDUSTRY. SINCE 1974, SUGAR PRODUCTION HAS DECLINED SUBSTANTIALLY AND ALL MAJOR SUGAR COMPANIES (INCLUDING SENA, THE LARGEST) ARE NOW HEAVILY IN DEBT TO THE BANK OF MOZAMBIQUE. REORGANIZATION WILL NEVERTHELESS, ALLOW GOVERNMENT TO DIVERT PRODUCTION TO LOCAL OR OVERSEAS MARKETS AS IT DESIRES.

5. ALTHOUGH SOME OFFICIALS IN GOVERNMENT MAY HAVE WANTED TO BRING SUGAR INDUSTRY UNDER COMPLETE GOVERNMENT CONTROL, ITS DECISION NOT TO NATIONALIZE IS NOT SURPRISING. THERE ARE FIVE MAJOR SUGAR COMPANIES IN MOZAMBIQUE, TWO LARGEST ARE IN PRIVATE HANDS AND THREE ARE UNDER GOVERNMENT ADMINISTRATION. NATIONALIZATION OF THE COMPANIES WOULD HAVE INVOLVED THE GOVERNMENT IN EXTENSIVE LITIGATION AND PROBABLY WOULD HAVE ATTRACTED ADVERSE PUBLICITY AT TIME WHEN THE GOVERNMENT IS ACTIVELY SEEKING FOREIGN INVESTMENT IN AGRICULTURE AND INDUSTRY.
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